

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF GRATTAN	County KENT
Audit Date 3/31/04	Opinion Date 5/27/04	Date Accountant Report Submitted to State: 9/15/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		ZIP 49002-5599	
Accountant Signature 			Date 9/17/04

Township of Grattan
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2004

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Grattan, Michigan**

We have audited the accompanying general purpose financial statements of the Township of Grattan, Michigan, as of March 31, 2004, and for the year then ended, as listed in the contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include a general fixed asset account group, which should be included to conform to U.S. generally accepted accounting principles. The amount that should be recorded in the general fixed asset account group is not known.

In our opinion, except for the effects on the general purpose financial statements of the omission of general fixed assets as described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Grattan, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Grattan, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Siegfried Crandall P.C.

May 27, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

Township of Grattan**COMBINED BALANCE SHEET - all fund types and account group**

March 31, 2004

		<u>Governmental fund types</u>	
		<u>General</u>	<u>Special revenue</u>
ASSETS			
Cash		\$ 74,608	\$ 87,669
Investments		81,178	-
Receivables:			
Taxes		9,226	21,378
Assessments		-	-
Accounts		17,997	-
Due from other governmental units		33,176	-
Due from other funds		107,548	241,681
Amount to be provided for retirement of long-term debt		-	-
Fixed assets (net, where applicable, of accumulated depreciation)		-	-
		<u> </u>	<u> </u>
TOTAL ASSETS		<u>\$ 323,733</u>	<u>\$ 350,728</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts payable		\$ 91,221	\$ -
Accrued liabilities		12,997	4,356
Due to other funds		-	31,126
Due to other governmental units		-	-
Notes payable		-	-
		<u> </u>	<u> </u>
Total liabilities		<u>104,218</u>	<u>35,482</u>
FUND EQUITY:			
Contributed capital		-	-
Retained earnings		-	-
Fund balance:			
Unreserved:			
Designated		-	100,335
Undesignated		219,515	214,911
		<u> </u>	<u> </u>
Total fund equity		<u>219,515</u>	<u>315,246</u>
		<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND EQUITY		<u>\$ 323,733</u>	<u>\$ 350,728</u>

<i>Proprietary fund type</i>	<i>Fiduciary fund types</i>	<i>Account group</i>	<i>Totals (memorandum only)</i>
<i>Enterprise</i>	<i>Agency</i>	<i>General long-term debt</i>	
\$ 508,208	\$ 324,330	\$ -	\$ 994,815
131,565	-	-	212,743
-	-	-	30,604
394,066	-	-	394,066
13,814	-	-	31,811
-	-	-	33,176
9,520	-	-	358,749
-	-	258,097	258,097
<u>6,160,651</u>	<u>-</u>	<u>-</u>	<u>6,160,651</u>
<u>\$ 7,217,824</u>	<u>\$ 324,330</u>	<u>\$ 258,097</u>	<u>\$ 8,474,712</u>
\$ -	\$ -	\$ -	\$ 91,221
15,303	-	-	32,656
6,372	321,251	-	358,749
31	3,079	-	3,110
400,000	-	258,097	658,097
<u>421,706</u>	<u>324,330</u>	<u>258,097</u>	<u>1,143,833</u>
5,845,077	-	-	5,845,077
951,041	-	-	951,041
-	-	-	100,335
<u>-</u>	<u>-</u>	<u>-</u>	<u>434,426</u>
<u>6,796,118</u>	<u>-</u>	<u>-</u>	<u>7,330,879</u>
<u>\$ 7,217,824</u>	<u>\$ 324,330</u>	<u>\$ 258,097</u>	<u>\$ 8,474,712</u>

See notes to financial statements

Township of Grattan**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCES - all governmental fund types***Year ended March 31, 2004*

	<u>General</u>	<u>Special revenue</u>	<u>Totals (memorandum only)</u>
REVENUES:			
Taxes	\$ 132,129	\$ 158,816	\$ 290,945
Licenses and permits	55,638	-	55,638
Federal grants	-	28,757	28,757
State grants	241,876	-	241,876
Charges for services	6,260	-	6,260
Interest and rentals	3,616	1,992	5,608
Other	<u>6,278</u>	<u>77,834</u>	<u>84,112</u>
Total revenues	<u>445,797</u>	<u>267,399</u>	<u>713,196</u>
EXPENDITURES:			
Legislative	6,096	-	6,096
General government	294,204	-	294,204
Public safety	36,586	93,458	130,044
Public works	14,519	68,250	82,769
Community and economic development	73,117	-	73,117
Recreation and cultural	4,630	-	4,630
Debt service:			
Principal	17,250	34,349	51,599
Interest	12,225	4,993	17,218
Capital outlay	<u>12,284</u>	<u>50,683</u>	<u>62,967</u>
Total expenditures	<u>470,911</u>	<u>251,733</u>	<u>722,644</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(25,114)</u>	<u>15,666</u>	<u>(9,448)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>244,629</u>	<u>299,580</u>	<u>544,209</u>
FUND BALANCE - END OF YEAR	<u>\$ 219,515</u>	<u>\$ 315,246</u>	<u>\$ 534,761</u>

See notes to financial statements

Township of Grattan**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - general and special revenue funds***Year ended March 31, 2004*

	<i>General Fund</i>		
	<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
REVENUES:			
Taxes	\$ 113,000	\$ 132,129	\$ 19,129
Licenses and permits	35,000	55,638	20,638
Federal grants	-	-	-
State grants	255,300	241,876	(13,424)
Charges for services	10,000	6,260	(3,740)
Interest and rentals	4,500	3,616	(884)
Other	56,350	6,278	(50,072)
Total revenues	<u>474,150</u>	<u>445,797</u>	<u>(28,353)</u>
EXPENDITURES:			
Legislative	6,096	6,096	-
General government	306,127	294,204	11,923
Public safety	36,071	36,586	(515)
Public works	14,370	14,519	(149)
Community and economic development	73,635	73,117	518
Recreation and cultural	4,518	4,630	(112)
Debt service:			
Principal	17,250	17,250	-
Interest	12,225	12,225	-
Capital outlay	-	12,284	(12,284)
Total expenditures	<u>470,292</u>	<u>470,911</u>	<u>(619)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,858</u>	<u>(25,114)</u>	<u>(28,972)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>244,629</u>	<u>244,629</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 248,487</u>	<u>\$ 219,515</u>	<u>\$ (28,972)</u>

<i>Special revenue funds</i>			<i>Totals (memorandum only)</i>		
<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
\$ 160,000	\$ 158,816	\$ (1,184)	\$ 273,000	\$ 290,945	\$ 17,945
-	-	-	35,000	55,638	20,638
28,757	28,757	-	28,757	28,757	-
-	-	-	255,300	241,876	(13,424)
-	-	-	10,000	6,260	(3,740)
1,450	1,992	542	5,950	5,608	(342)
77,300	77,834	534	133,650	84,112	(49,538)
<u>267,507</u>	<u>267,399</u>	<u>(108)</u>	<u>741,657</u>	<u>713,196</u>	<u>(28,461)</u>
-	-	-	6,096	6,096	-
-	-	-	306,127	294,204	11,923
99,168	93,458	5,710	135,239	130,044	5,195
74,210	68,250	5,960	88,580	82,769	5,811
-	-	-	73,635	73,117	518
-	-	-	4,518	4,630	(112)
27,424	34,349	(6,925)	44,674	51,599	(6,925)
4,908	4,993	(85)	17,133	17,218	(85)
60,131	50,683	9,448	60,131	62,967	(2,836)
<u>265,841</u>	<u>251,733</u>	<u>14,108</u>	<u>736,133</u>	<u>722,644</u>	<u>13,489</u>
<u>1,666</u>	<u>15,666</u>	<u>14,000</u>	<u>5,524</u>	<u>(9,448)</u>	<u>(14,972)</u>
<u>299,580</u>	<u>299,580</u>	<u>-</u>	<u>544,209</u>	<u>544,209</u>	<u>-</u>
<u>\$ 301,246</u>	<u>\$ 315,246</u>	<u>\$ 14,000</u>	<u>\$ 549,733</u>	<u>\$ 534,761</u>	<u>\$ (14,972)</u>

See notes to financial statements

Township of Grattan
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS - proprietary fund type
Year ended March 31, 2004

OPERATING REVENUES:	
Charges for services	\$ 210,759
Fees, permits, and other	<u>67,354</u>
Total operating revenues	<u>278,113</u>
OPERATING EXPENSES:	
Salaries	4,531
Contracted services	51,341
Supplies and materials	1,979
Insurance	6,607
Depreciation	138,565
Telephone and utilities	23,063
Repairs and maintenance	45,310
Operation and maintenance charges	<u>148,434</u>
Total operating expenses	<u>419,830</u>
OPERATING LOSS	<u>(141,717)</u>
NONOPERATING REVENUES:	
Interest revenue	16,490
Line cleaning assessment	666,080
Interest expense	<u>(14,900)</u>
Total nonoperating revenues	667,670
NET LOSS	525,953
ADDITIONS:	
Depreciation on fixed assets acquired by grants that reduces contributed capital	<u>115,520</u>
INCREASE IN RETAINED EARNINGS	641,473
RETAINED EARNINGS - BEGINNING OF YEAR	<u>309,568</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 951,041</u>

See notes to financial statements

Township of Grattan
STATEMENT OF CASH FLOWS - proprietary fund type
Year ended March 31, 2004

Cash flows from operating activities:	
Receipts from customers and users	\$ 342,485
Payments to suppliers	(294,032)
Payments to employees	<u>(4,046)</u>
Net cash used in operating activities	<u>44,407</u>
Cash flows from capital and related financing activities:	
Collection of special assessment principal	272,014
Proceeds from notes payable	400,000
Acquisition of capital assets	<u>(315,278)</u>
Net cash provided by capital and related financing activities	<u>356,736</u>
Cash flows from investing activities:	
Purchase of investments	(108,683)
Interest received	<u>16,490</u>
Net cash used by investing activities	<u>(92,193)</u>
Net increase in cash	308,950
Cash - beginning of year	<u>199,258</u>
Cash - end of year	<u><u>\$ 508,208</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (141,717)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	138,565
(Increase) decrease in:	
Accounts receivable	46,198
Due from other units	
Due from other funds	18,174
Increase (decrease) in:	
Accounts payable	(23,588)
Accrued liabilities	403
Due to other funds	<u>6,372</u>
Net cash used in operating activities	<u><u>\$ 44,407</u></u>

See notes to financial statements

Township of Grattan
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Grattan, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments, except as to the investment in general fixed assets and changes therein. The Township has not maintained records related to its investment in general fixed assets and changes therein, as required by generally accepted accounting principles. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township, or primary government. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

b) Basis of presentation:

The accounts of the Township are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for in, individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The financial activities of the Township are recorded in the separate funds and account group, categorized, and described as follows:

(i) Governmental funds:

General Fund - this fund is used to account for all financial resources not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, interest, and charges for certain services.

Special revenue funds - these funds are used to account for specific revenue derived primarily from general fund appropriations and property taxes which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

(ii) Proprietary fund:

Enterprise Fund - this fund is comprised of a Sewer Fund and is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Township of Grattan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

b) Basis of presentation (continued):

(iii) Fiduciary funds:

Agency funds - these funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

(iv) Account group:

General long-term debt account group - this account group presents the balance of general obligation long-term debt, which is not recorded in proprietary funds.

The account group is not a fund. It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

c) Basis of accounting:

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to finance expenditures of the fiscal period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Unbilled sewer fund utility service receivables are recorded at year end. The Township has elected to follow (1) all GASB pronouncements and (2) Financial Accounting Standards Board statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

d) Budgets and budgetary accounting:

The Township follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978) as prescribed by the State of Michigan.

Budgets for the general and special revenue funds are adopted at the activity level and are on a basis consistent with generally accepted accounting principles.

e) Receivables:

All receivables are expected to be fully collectible as presented.

Township of Grattan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

f) Fixed assets:

Proprietary fund fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Sewer system	50-66 years
Equipment	10 years

g) Property tax:

Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on February 14 (with the final collection date of February 28), at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. The Township considers property taxes levied December 1 as revenue of the current year.

h) Fund equity:

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

i) Totals - (memorandum only):

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation as interfund eliminations have not been made.

Township of Grattan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - CASH AND INVESTMENTS:

A reconciliation of cash and investments to the Township's deposits and investments, as shown in the combined balance sheet, is as follows:

Financial statements:

Cash	\$994,815
Investments	<u>212,743</u>
	<u>\$1,207,558</u>

Notes to financial statements:

Deposits	\$ 796,630
Investments	<u>410,928</u>
	<u>\$1,207,558</u>

Deposits and investments:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of federally-insured banks, credit unions, and savings and loan associations. At March 31, 2004, the Township has deposits with a carrying amount of \$796,630 and a bank balance of \$798,317. Of the bank balance \$378,303 is covered by federal depository insurance and \$420,014 is uninsured.

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three highest rate classifications by at least two rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds that invest in investments allowed by state statute; and f) investment pools organized under the local government investment pool act.

Investments are carried at fair value and consist of:

Non-risk categorized funds:

Local unit of government investment fund	\$376,488
Kent County Pool	31,942

Risk categorized funds:

U.S. government agency certificates	<u>2,498</u>
	<u>\$410,928</u>

The U.S. government agency certificates are held by a financial institution, in the Township's name.

Township of Grattan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - FIXED ASSETS:

A summary of proprietary fund type fixed assets at March 31, 2004, is as follows:

Sewer system	\$8,396,381
Sewer system extensions and improvements	543,419
Equipment	<u>4,785</u>
	8,944,585
Less accumulated depreciation	<u>2,783,934</u>
Net book value	<u>\$6,160,651</u>

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

The amounts of interfund receivables and payables at March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Fund</u>	<u>Interfund payables</u>
General	\$ 5,621	Sewer	\$ <u>6,372</u>
Fire Equipment	<u>751</u>		
	<u>6,372</u>		
Fire Capital	<u>31,126</u>	Fire Operating	30,865
		Cowan Lake Weed	
		Control	<u>261</u>
			<u>31,126</u>
General	101,927	Tax Collection	<u>\$321,251</u>
Fire Operating	97,545		
Fire Equipment	48,768		
Sewer	9,520		
Pine Island Lake			
Weed Control	26,717		
Crooked Lake			
Weed Control	23,980		
Cowan Lake			
Weed Control	<u>12,794</u>		
	<u>321,251</u>		
	<u>\$358,749</u>		<u>\$358,749</u>

Township of Grattan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - DEFINED CONTRIBUTION PENSION PLAN:

The Township maintains two defined contribution pension plans. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. Elected officials and the fire chief are covered under one plan, to which the Township contributes 10% of covered salaries. Township appointed officials and employees, including volunteer firemen, are included under a second plan to which the Township contributes 10% of covered salaries. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made required contributions of \$14,383 during the year ended March 31, 2004.

NOTE 6 - CLAIMS ARISING FROM RISKS OF LOSS:

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation.

The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance.

NOTE 7 - CONTINGENCY:

A corporation has contested several zoning-related issues by bringing a legal complaint against the Township. The Township has chosen to contest the complaint and has incurred legal fees, which are being shared by a neighboring township, in the process of defending itself in court. Various other costs, including the repayment of plaintiff attorney fees and interest, may be charged to the Township. The outcome of the litigation has not been determined.

NOTE 8 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2004, is as follows:

Construction code permits revenue	\$43,523
Direct expenses	<u>34,601</u>
Excess of revenue over expenses	<u>\$ 8,922</u>

Township of Grattan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - LONG-TERM DEBT:

The following is a summary of long-term debt transactions for the year ended March 31, 2004:

	<u>Enterprise Fund</u>	<u>General long- term-debt</u>
Balance at April 1, 2003	\$ -	\$309,696
Issuance of new debt	400,000	-
Payments on debt	<u>-</u>	<u>(51,599)</u>
Balance at March 31, 2004	<u>\$400,000</u>	<u>\$258,097</u>

Long-term debt at March 31, 2004, is comprised of the following individual issues:

Notes payable:

Enterprise Fund

Note payable - bank, sewer improvement loan, dated April 28, 2003, annual installment of \$40,000, plus interest at 4.00%, final payment due May 2014	<u>\$400,000</u>
---	------------------

General long-term debt account group:

Note payable - bank, office construction loan, dated November 1, 1997, annual installments of \$8,250 to \$17,000, plus interest at 5.49%; final payment due July 2012	\$116,250
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Note payable - bank, site improvements loan, dated April 1, 1998, annual installments of \$9,000 to \$17,000, plus interest at 5.45%; final payment due November 2012	87,000
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Note payable - bank, secured by fire vehicle, annual installments of \$27,424, including interest at 5.89%; final payment due May 1, 2005	<u>54,847</u>
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Total general long-term debt	<u>\$258,097</u>
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Township of Grattan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - LONG-TERM DEBT (Continued):

Total service requirements, including \$79,022 and \$68,710 interest for the enterprise fund and general long-term-debt, respectively, are shown below for the years ended March 31, 2005 through 2009, and thereafter:

	<u>Enterprise fund</u>	<u>General long- term-debt</u>
2005	\$ 57,022	\$ 60,220
2006	54,400	60,220
2007	42,800	29,481
2008	51,200	29,481
2009	49,600	29,481
Thereafter	<u>224,000</u>	<u>117,924</u>
	<u>\$ 479,022</u>	<u>\$ 326,807</u>

NOTE 10 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated.

The following schedule sets forth significant budget variations.

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	General administration	\$68,702	\$79,142	\$10,440
General	Capital outlay	Capital outlay	\$ -	\$12,284	\$12,284
Fire Equipment	Debt service	Principal	\$27,424	\$34,349	\$ 6,925
Crooked Lake Weed Control	Public works	Weed control	\$29,750	\$31,190	\$ 1,440
Cowan Lake Weed Control	Public works	Weed control	\$13,600	\$16,933	\$ 3,333

SUPPLEMENTARY INFORMATION

Township of Grattan**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - General Fund**

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Taxes	\$ 113,000	\$ 132,129	\$ 19,129
Licenses and permits	35,000	55,638	20,638
State grants	255,300	241,876	(13,424)
Charges for services	10,000	6,260	(3,740)
Interest and rentals	4,500	3,616	(884)
Other	56,350	6,278	(50,072)
Total revenues	<u>474,150</u>	<u>445,797</u>	<u>(28,353)</u>
EXPENDITURES:			
Legislative - Township board	<u>6,096</u>	<u>6,096</u>	<u>-</u>
General government:			
Supervisor	17,194	17,172	22
Elections	9,212	9,212	-
Assessor	21,832	21,831	1
Clerk	33,087	32,762	325
Board of review	701	700	1
Treasurer	52,882	41,857	11,025
Building and grounds	2,417	2,416	1
Cemetery	2,527	2,527	-
General administration	68,702	79,142	(10,440)
Professional services	79,856	69,225	10,631
Other	17,717	17,360	357
Total general government	<u>306,127</u>	<u>294,204</u>	<u>11,923</u>
Public safety:			
Building inspections	34,601	34,601	-
Safety board	91	90	1
Kent county sheriff	-	516	(516)
Fire board	1,379	1,379	-
Total public safety	<u>36,071</u>	<u>36,586</u>	<u>(515)</u>

Township of Grattan**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - General Fund (Continued)**

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued):			
Public works - highways, streets, and bridges	\$ 14,370	\$ 14,519	\$ (149)
Community and economic development			
Planning and zoning	<u>73,635</u>	<u>73,117</u>	<u>518</u>
Recreation and culture			
Museum	1,021	1,133	(112)
Parks and recreation	<u>3,497</u>	<u>3,497</u>	<u>-</u>
Total recreation and culture	<u>4,518</u>	<u>4,630</u>	<u>(112)</u>
Debt service:			
Principal	<u>17,250</u>	<u>17,250</u>	<u>-</u>
Interest	<u>12,225</u>	<u>12,225</u>	<u>-</u>
Capital outlay	<u>-</u>	<u>12,284</u>	<u>(12,284)</u>
Total expenditures	<u>470,292</u>	<u>470,911</u>	<u>(619)</u>
EXCESS OF REVENUES OVER EXPENDITURES	3,858	(25,114)	28,972
FUND BALANCE - BEGINNING OF YEAR	<u>244,629</u>	<u>244,629</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 248,487</u>	<u>\$ 219,515</u>	<u>28,972</u>

Township of Grattan
COMBINING BALANCE SHEET - *special revenue funds*
March 31, 2004

	<u>Fire Operations</u>	<u>Fire Equipment</u>
ASSETS		
Cash	\$ 42,748	\$ 15,539
Taxes receivable	8,303	4,151
Due from other funds	<u>97,545</u>	<u>80,645</u>
TOTAL ASSETS	<u>\$ 148,596</u>	<u>\$ 100,335</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accrued liabilities	\$ 4,311	\$ -
Due to other funds	<u>30,865</u>	<u>-</u>
Total liabilities	<u>35,176</u>	<u>-</u>
FUND BALANCE:		
Unreserved:		
Designated	-	100,335
Undesignated	<u>113,420</u>	<u>-</u>
Total fund balance	<u>113,420</u>	<u>100,335</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 148,596</u>	<u>\$ 100,335</u>

<i>Crooked Lake Weed Control</i>	<i>Pine Island Lake Weed Control</i>	<i>Cowan Lake Weed Control</i>	<i>Totals (memorandum only)</i>
<u>\$ 17,561</u>	<u>\$ 10,296</u>	<u>\$ 1,525</u>	<u>\$ 87,669</u>
3,080	4,838	1,006	21,378
<u>23,980</u>	<u>26,717</u>	<u>12,794</u>	<u>241,681</u>
<u>\$ 44,621</u>	<u>\$ 41,851</u>	<u>\$ 15,325</u>	<u>\$ 350,728</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 4,356</u>
-	-	261	31,126
<u>-</u>	<u>-</u>	<u>306</u>	<u>35,482</u>
-	-	-	100,335
<u>44,621</u>	<u>41,851</u>	<u>15,019</u>	<u>214,911</u>
<u>44,621</u>	<u>41,851</u>	<u>15,019</u>	<u>315,246</u>
<u>\$ 44,621</u>	<u>\$ 41,851</u>	<u>\$ 15,325</u>	<u>\$ 350,728</u>

Township of Grattan**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - *special revenue funds****Year ended March 31, 2004*

	<i>Fire Operations</i>	<i>Fire Equipment</i>
REVENUES:		
Taxes	\$ 105,884	\$ 52,932
Federal grants		28,757
Interest	1,491	300
Other	5,419	-
	<u>112,794</u>	<u>81,989</u>
Total revenues		
	<u>112,794</u>	<u>81,989</u>
EXPENDITURES:		
Public safety	93,458	-
Public works	-	-
Debt service:		
Principal	-	34,349
Interest	-	4,993
Capital outlay	3,895	46,788
	<u>97,353</u>	<u>86,130</u>
Total expenditures		
	<u>97,353</u>	<u>86,130</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>15,441</u>	<u>(4,141)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>97,979</u>	<u>104,476</u>
FUND BALANCE - END OF YEAR	<u>\$ 113,420</u>	<u>\$ 100,335</u>

<i>Crooked Lake Weed Control</i>	<i>Pine Island Lake Weed Control</i>	<i>Cowan Lake Weed Control</i>	<i>Totals (memorandum only)</i>
\$ -	\$ -	\$ -	\$ 158,816
-	-	-	28,757
92	71	38	1,992
<u>27,060</u>	<u>31,555</u>	<u>13,800</u>	<u>77,834</u>
<u>27,152</u>	<u>31,626</u>	<u>13,838</u>	<u>267,399</u>
-	-	-	93,458
31,190	20,127	16,933	68,250
-	-	-	34,349
-	-	-	4,993
<u>-</u>	<u>-</u>	<u>-</u>	<u>50,683</u>
<u>31,190</u>	<u>20,127</u>	<u>16,933</u>	<u>251,733</u>
<u>(4,038)</u>	<u>11,499</u>	<u>(3,095)</u>	<u>15,666</u>
<u>48,659</u>	<u>30,352</u>	<u>18,114</u>	<u>299,580</u>
<u>\$ 44,621</u>	<u>\$ 41,851</u>	<u>\$ 15,019</u>	<u>\$ 315,246</u>

Township of Grattan**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - Fire Operations Fund***Year ended March 31, 2004*

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Taxes	\$ 104,000	\$ 105,884	\$ 1,884
Interest	500	1,491	991
Other	1,500	5,419	3,919
Total revenues	<u>106,000</u>	<u>112,794</u>	<u>6,794</u>
EXPENDITURES:			
Public safety:			
Salaries	55,035	53,746	1,289
Payroll taxes	1,000	791	209
Workshops and seminars	4,267	3,792	475
County fire assessment	6,678	5,094	1,584
Legal	733	1,475	(742)
Insurance	7,977	7,284	693
Mileage	523	52	471
Pension contribution	3,000	4,281	(1,281)
Repairs and maintenance	3,820	3,511	309
Building and grounds	3,509	2,566	943
Supplies	4,904	4,678	226
Telephone	1,000	855	145
Utilities	4,722	4,644	78
Physical exams	1,000	539	461
Dues and memberships	1,000	150	850
Total public safety	<u>99,168</u>	<u>93,458</u>	<u>5,710</u>
Capital outlay	<u>6,332</u>	<u>3,895</u>	<u>2,437</u>
Total expenditures	<u>105,500</u>	<u>97,353</u>	<u>8,147</u>
EXCESS OF REVENUES OVER EXPENDITURES	500	15,441	14,941
FUND BALANCE - BEGINNING OF YEAR	<u>97,979</u>	<u>97,979</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 98,479</u>	<u>\$ 113,420</u>	<u>\$ 14,941</u>

Township of Grattan**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - Fire Equipment Fund***Year ended March 31, 2004*

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Taxes	\$ 56,000	\$ 52,932	\$ (3,068)
Federal grant	28,757	28,757	-
Interest	700	300	(400)
Other	<u>675</u>	<u>-</u>	<u>(675)</u>
Total revenues	<u>86,132</u>	<u>81,989</u>	<u>(4,143)</u>
EXPENDITURES:			
Debt service:			
Principal	27,424	34,349	(6,925)
Interest	4,908	4,993	(85)
Capital outlay	<u>53,799</u>	<u>46,788</u>	<u>7,011</u>
Total expenditures	<u>86,131</u>	<u>86,130</u>	<u>1</u>
EXCESS OF REVENUES OVER EXPENDITURES	1	(4,141)	(4,142)
FUND BALANCE - BEGINNING OF YEAR	<u>104,476</u>	<u>104,476</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 104,477</u>	<u>\$ 100,335</u>	<u>\$ (4,142)</u>

Township of Grattan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - *Crooked Lake Weed Control Fund***

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Interest	\$ 100	\$ 92	\$ (8)
Other - special assessments	<u>29,900</u>	<u>27,060</u>	<u>(2,840)</u>
Total revenues	30,000	27,152	(2,848)
EXPENDITURES:			
Public works	<u>29,750</u>	<u>31,190</u>	<u>(1,440)</u>
EXCESS OF REVENUES OVER EXPENDITURES	250	(4,038)	(4,288)
FUND BALANCE - BEGINNING OF YEAR	<u>48,659</u>	<u>48,659</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 48,909</u>	<u>\$ 44,621</u>	<u>\$ (4,288)</u>

Township of Grattan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - *Pine Island Lake Weed Control Fund***

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Interest	\$ 100	\$ 71	\$ (29)
Other - special assessments	<u>31,425</u>	<u>31,555</u>	<u>130</u>
Total revenues	31,525	31,626	101
EXPENDITURES:			
Public works	<u>30,860</u>	<u>20,127</u>	<u>10,733</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	665	11,499	10,834
FUND BALANCE - BEGINNING OF YEAR	<u>30,352</u>	<u>30,352</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 31,017</u>	<u>\$ 41,851</u>	<u>\$ 10,834</u>

Township of Grattan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Cowan Lake Weed Control Fund**

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Interest	\$ 50	\$ 38	\$ (12)
Other - special assessments	<u>13,800</u>	<u>13,800</u>	<u>-</u>
Total revenues	13,850	13,838	(12)
EXPENDITURES:			
Public works	<u>13,600</u>	<u>16,933</u>	<u>(3,333)</u>
EXCESS OF REVENUES OVER EXPENDITURES	250	(3,095)	(3,345)
FUND BALANCE - BEGINNING OF YEAR	<u>18,114</u>	<u>18,114</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 18,364</u>	<u>\$ 15,019</u>	<u>\$ (3,345)</u>

Township of Grattan**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - Tax Collection Fund***Year ended March 31, 2004*

	<i>Balance April 1, 2003</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance March 31, 2004</i>
TAX COLLECTION FUND				
ASSETS				
Cash	<u>\$ 258,744</u>	<u>\$ 3,221,713</u>	<u>\$ 3,156,127</u>	<u>\$ 324,330</u>
LIABILITIES				
Due to other funds	\$ 246,409	\$ 374,638	\$ 299,796	\$ 321,251
Due to other governmental units	<u>12,335</u>	<u>2,847,075</u>	<u>2,856,331</u>	<u>3,079</u>
TOTAL LIABILITIES	<u>\$ 258,744</u>	<u>\$ 3,221,713</u>	<u>\$ 3,156,127</u>	<u>\$ 324,330</u>

August 3, 2004

Board of Trustees
Township of Grattan
Kent County, Michigan

In planning and performing our audit of the financial statements of Township of Grattan, for the year ended March 31, 2004, we considered the Township's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated May 27, 2004, on the financial statements of Township of Grattan.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

Sincerely,

Siegfried Crandall P.C.

TRANSACTION DOCUMENTATION:

The Township Clerk's and Treasurer's offices have made significant improvements in implementing procedures which allow timely reconciliations between the accounting records and bank statements on a regular basis. We also noted that procedures were put in place during the year to provide additional segregation of responsibilities and verification of transaction amounts prior to general ledger postings. We recommend that accounting procedures be reviewed on an ongoing basis to continue to improve documentation, verification, and segregation of duties.

Sufficient back-up documentation should be provided for all expenditures submitted to Township officials for authorization and payment. For example, expenditures based on underlying computations should be documented by sufficient detail so that Township officials are able to verify all calculations. Alternatively, documentation should be presented to the Board with evidence that independent recalculations have been performed by an assigned individual. This procedure would apply primarily to certain disbursements to vendors and for payroll and related items, including insurance and benefits.